

Part 7 Dissociation

48-1d-701 Events causing dissociation.

A person is dissociated as a partner when:

- (1) the partnership has notice of the person's express will to withdraw as a partner, but, if the person specified a withdrawal date later than the date the partnership had notice, on that later date;
- (2) an event stated in the partnership agreement as causing the person's dissociation occurs;
- (3) the person is expelled as a partner pursuant to the partnership agreement;
- (4) the person is expelled as a partner by the unanimous vote or consent of the other partners if:
 - (a) it is unlawful to carry on the partnership's activities and affairs with the person as a partner;
 - (b) there has been a transfer of all of the person's transferable interest in the partnership, other than:
 - (i) a transfer for security purposes; or
 - (ii) a charging order in effect under Section 48-1d-604, which has not been foreclosed;
 - (c) the person is a corporation and:
 - (i) the partnership notifies the person that it will be expelled as a partner because the person has filed a statement of dissolution or the equivalent, its charter has been revoked, or its right to conduct business has been suspended by the jurisdiction of its incorporation; and
 - (ii) not later than 90 days after the notification, the statement of dissolution or the equivalent has not been revoked or the charter or right to conduct business has not been reinstated; or
 - (d) the person is an unincorporated entity that has been dissolved and whose business is being wound up;
- (5) on application by the partnership or another partner, the person is expelled as a partner by judicial order because the person:
 - (a) has engaged or is engaging in wrongful conduct that has affected adversely and materially, or will affect adversely and materially, the partnership's activities and affairs;
 - (b) has committed willfully or persistently, or is committing willfully or persistently, a material breach of the partnership agreement or a duty or obligation under Section 48-1d-405; or
 - (c) engaged or is engaging in conduct relating to the partnership's activities and affairs which makes it not reasonably practicable to carry on the partnership's activities and affairs with the person as a partner;
- (6) in the case of an individual:
 - (a) the individual dies;
 - (b) a guardian or general conservator for the individual is appointed; or
 - (c) a court orders that the individual has otherwise become incapable of performing the individual's duties as a partner under this chapter or the partnership agreement;
- (7) the person:
 - (a) becomes a debtor in bankruptcy;
 - (b) executes an assignment for the benefit of creditors; or
 - (c) seeks, consents to, or acquiesces in the appointment of a trustee, receiver, or liquidator of the person or of all, or substantially all, of the person's property;
- (8) in the case of a person that is a testamentary or inter vivos trust or is acting as a partner by virtue of being a trustee of such a trust, the trust's entire transferable interest in the partnership is distributed;

- (9) in the case of a person that is an estate or is acting as a partner by virtue of being a personal representative of an estate, the estate's entire transferable interest in the partnership is distributed, but not merely by reason of the substitution of a successor personal representative;
- (10) in the case of a person that is not an individual, corporation, unincorporated entity, trust, or estate, the existence of the person terminates;
- (11) the partnership participates in a merger under Part 10, Merger, Interest Exchange, Conversion, and Domestication, and:
 - (a) the partnership is not the surviving entity; or
 - (b) otherwise as a result of the merger, the person ceases to be a partner;
- (12) the partnership participates in an interest exchange under Part 10, Merger, Interest Exchange, Conversion, and Domestication, and, as a result of the interest exchange, the person ceases to be a partner;
- (13) the partnership participates in a conversion under Part 10, Merger, Interest Exchange, Conversion, and Domestication;
- (14) the partnership participates in a domestication under Part 10, Merger, Interest Exchange, Conversion, and Domestication, and, as a result of the domestication, the person ceases to be a partner; or
- (15) the partnership dissolves and completes winding up.

Enacted by Chapter 412, 2013 General Session

48-1d-702 Power to dissociate as partner -- Wrongful dissociation.

- (1) A person has the power to dissociate as a partner at any time, rightfully or wrongfully, by withdrawing as a partner by express will under Subsection 48-1d-701(1).
- (2) A person's dissociation as a partner is wrongful only if the dissociation:
 - (a) is in breach of an express provision of the partnership agreement; or
 - (b) in the case of a partnership for a definite term or particular undertaking, occurs before the expiration of the term or the completion of the undertaking and:
 - (i) the person withdraws by express will, unless the withdrawal follows not later than 90 days after another person's dissociation by death or otherwise under Subsections 48-1d-701(6) through (10) or wrongful dissociation under this subsection;
 - (ii) the person is expelled by judicial order under Subsection 48-1d-701(5);
 - (iii) the person is dissociated under Subsection 48-1d-701(7); or
 - (iv) in the case of a person that is not a trust other than a business trust, an estate, an individual, or a trust other than a business trust, the person is expelled or otherwise dissociated because it willfully dissolved or terminated.
- (3) A person that wrongfully dissociates is liable to the partnership and to the other partners for damages caused by the dissociation. The liability is in addition to any debt, obligation, or other liability of the partner to the partnership or the other partners.

Enacted by Chapter 412, 2013 General Session

48-1d-703 Effect of dissociation.

- (1) If a person's dissociation results in a dissolution and winding up of the partnership's activities and affairs, Part 9, Dissolution and Winding Up, applies, otherwise, Part 8, Partner's Dissociation When Business Not Wound Up, applies.
- (2) If a person is dissociated as a partner:

- (a) the person's right to participate in the management and conduct of the partnership's activities and affairs terminates, except as otherwise provided in Subsection 48-1d-902(3); and
- (b) the person's duties and obligations under Section 48-1d-405:
 - (i) end with regard to matters arising and events occurring after the person's dissociation; and
 - (ii) continue only with regard to matters arising and events occurring before the person's dissociation, unless the partner participates in winding up the partnership's activities and affairs pursuant to Section 48-1d-902.
- (3) A person's dissociation does not of itself discharge the person from a debt, obligation, or other liability to the partnership or the other partners which the person incurred while a partner.

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